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SUBJECT: ARGENTINE FARM TALKS FALTER (AGAIN) - ALL EYES ON COMPETING
MAY 25 EVENTS

REF: (A) Buenos Aires 0686 and previous (B) Buenos Aires 0681

Summary

¶1. (SBU) The first meeting between the GoA and leaders of the major farm groups following suspension of the on-again, off-again farm strike on May 21 quickly broke down after the GoA negotiators reportedly refused to address the controversial variable export tax until after the large demonstration planned for May 25 in Rosario and the Administrations celebration of Argentina's May 25 "Revolution Day". Farm sector leaders accused the GoA of negotiating in bad faith and once again delaying any real solution to the conflict, while the government team gave a more positive spin to the talks. Farm groups are now concentrating on the May 25 demonstration in Rosario. Meanwhile, the GoA is working to ensure a large turnout at its official Independence Day ceremony led by President Cristina Fernandez de Kirchner in Salta on the same day to ensure that it is not overshadowed by the farm demonstration. There appears to be growing discontent with the fact that the dispute is dragging on and negatively affecting the overall economy. End summary.

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¶2. (SBU) The GoA re-opened discussions with leaders of the major farm groups the evening of May 22, declaring that all issues were on the table. This was the first official meeting between the GoA and the farm groups since the farm strike was suspended on May 21 (the GoA had refused to negotiate while the strike was in place). The GoA characterized the initial meeting as positive in a press conference after the meeting. The government's statement was quickly followed by a denial of any progress by the leaders of the farm groups. Visibly irate farm leaders expressed disappointment that the GoA was unwilling to negotiate on the variable export tax regime (which is at the heart of the ongoing dispute) before May 26, after the large farm protest and the government's own big event, both of which are scheduled for May 25, Argentina's Revolution Day. The farm leaders declared that they are now focused on ensuring as large a turnout as possible for the farm protest in Rosario, which is the second largest city in Argentina and the major port for soy exports. The GoA is, however, mobilizing resources to ensure as large a turnout as possible for the official Independence Day ceremony in Salta, which will be attended by President Cristina Fernandez de Kirchner, to ensure that the turnout is at least as large as the 60,000 expected at the farm protest in Rosario.

¶3. (SBU) The lead negotiator for the GoA, Chief of Cabinet Alberto Fernandez, later that evening accused the farm leaders of distorting what happened in the meeting and declared that the farm protest was

now an opposition protest. He claimed farmers had not presented a proposal (a claim that was contested by farm leaders, who distributed to the press copies of the proposal they had made), and he said the GoA was prepared to discuss modifications to the variable export tax regime, including a possible ceiling on the maximum tax collected. (The press is reporting that the GOA's marginal tax rate on soy exports, if soy prices go over \$600/ton, is 95%.)

¶4. (SBU) Agricultural contacts say their anger and distrust of the government is due in large part to the negative experience of the farm groups with the beef and wheat agreements they negotiated with the GoA in April. After extensive delays, the agreements are still not fully in place and the implementing regulations issued so far have included additional restrictions that go beyond what was agreed. In the case of wheat, the agreement to allow exports of 100,000 tons to Brazil (which does not address the full amount of wheat available for export) has been implemented with additional provisions, such as limiting export licenses to 2,000 tons per exporter, per day, making it very difficult to implement. While the GoA has started issuing export permits for beef, the approvals have been slow and well below levels agreed to with the farm groups.

¶5. (SBU) Per ref B, recent polls show a sharp drop in the President's positive image, approval of her performance and confidence in her government. The drop is widely attributed to the GOA's handling of the farm protest and anxiety over rising inflation. Polls also indicate, however, declining support for the farm strike (although farmers remain the most admired institution/sector in Argentina).

¶6. (SBU) Indeed, it seems that there is growing impatience with both sides for not settling the strike. A senior Peronist governor told the Ambassador May 23 that, at the age of 57, he had seen many conflicts in Argentina and had grown inured to a lot of "noise," but this was the worst strike he had seen. He said that, after 72 days of a strike interrupted several times by talks, it was fair to conclude that both sides had failed. He argued there was bad faith and mistrust on both sides -- hardly the conditions for successful negotiations. The public's perception was that both sides were acting capriciously. He said he feared the GoA was running the risk of letting the farm crisis rip the country apart. The GoA did not have a convincing peacemaking plan or communication strategy, and he claimed he had conveyed this to former president Nestor Kirchner.

¶7. (SBU) COMMENT: Farm leaders say they have suspended their strike several times to respond to GOA calls for dialogue and negotiations, but the GOA has not offered them any counter-proposals (let alone any concessions) to address their primary concerns. We will be watching closely the May 25 events as both sides try to demonstrate their public support. Farm leaders are now talking about resuming the farm strike on Monday, May 26, a decision that could be announced at the demonstration in Rosario. END COMMENT.

WAYNE